



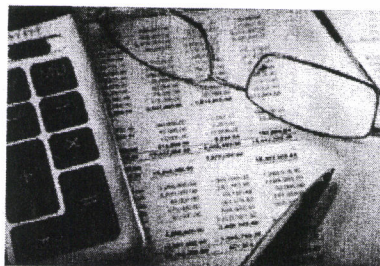
# European Commission

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## EU gets tough on tax evasion - 11/12/2012

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**Around €1 trillion is lost to tax evasion and avoidance every year in the EU. A new action plan encourages European governments to work together to clamp down on companies and individuals not paying their fair share.**

The [action plan to fight tax fraud & evasion](#) sets out short, medium and long term measures to tackle the problem and reclaim the money owed.

The EU recommends that the campaign start with action against tax havens, and against the technicalities that some companies are using to avoid paying tax.

EU countries currently have varying standards as to what constitutes a tax haven and therefore different rules on dealing with them. This means that any transactions involving tax havens can be routed through the countries with the most lenient legislation.

The same approach to first detecting tax havens – and then reacting to them – would stop tax evaders from taking advantage of differences between national systems.

The EU recommends that countries draw up a black list of places acting as tax havens. This would send a strong signal, and could be followed by a change to any tax agreements currently in place. This, in turn, would deter investors.

To stop companies avoiding tax, EU countries should first strengthen existing double tax conventions – which prevent companies active in more than one country from paying tax in both. But loopholes allow some companies to misuse the conventions and pay no tax at all.

There has been a rise in this form of tax avoidance – known euphemistically as 'aggressive tax planning', and the action plan recommends ways to tackle the legal technicalities that make it possible.

The risk for countries seeking to tackle the problem alone, is that the companies will simply relocate. An EU-wide response is needed to close loopholes and ensure that no country loses out financially for addressing the problem.

The European Commission would monitor the implementation of these recommendations and put pressure on countries whose progress is slow.

The plan now goes to the European Parliament and the EU's finance ministers for approval.

In the meantime, the Commission will also work on proposals for additional initiatives to counter tax evasion, including:

- A taxpayers' code
- An EU tax identification number
- A review of anti-abuse provisions in EU law
- Guidelines for tracing money flows.

[EU action against tax fraud & evasion](#)

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